

CITY OF CANANDAIGUA, NEW YORK  
Basic Financial Statements and  
Required Supplementary Information  
December 31, 2013  
(With Independent Auditors' Report Thereon)

# CITY OF CANANDAIGUA, NEW YORK

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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members  
of the City Council  
City of Canandaigua, New York:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canandaigua, New York (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2013, and the respective changes in financial position, and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16 and the schedule of funding progress for other postemployment benefits on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. Schedules 1 and 2 as listed in the foregoing table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 30, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Toski & Co., CPAs, P.C.

Williamsville, New York  
May 30, 2014

CITY OF CANANDAIGUA, NEW YORK  
Management's Discussion and Analysis  
December 31, 2013

## INTRODUCTION

The following is a discussion and analysis of the City of Canandaigua, New York's (the City) financial performance for the year ended December 31, 2013. This section of the report should be read in conjunction with the basic financial statements, which immediately follow this section, in order to provide an enhanced understanding of the City's financial performance.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements are comprised of three components: **(1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements.** This report also contains individual fund financial statements and schedules in addition to these basic financial statements.

### **Government-Wide Financial Statements**

These statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. These consist of:

- The statement of net position which presents information on all of the City's assets and liabilities, and deferred inflows/outflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The statement of activities which presents information showing how the City's net position changed during the most recent year. The primary governmental activities of the City as used in this statement include general government support, public safety, transportation, economic assistance, culture and recreation, home and community services, and interest on long-term debt. The business-type activities include the water and sewer fund. This statement calculates the cost of each functional activity as well as all resources available for that purpose.

The government-wide financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting, which is similar to the methods used by most businesses, takes into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid.

### **Fund Financial Statements**

In the governmental area, financial statements are organized around "funds." A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Funds are established to control and manage the money and budgets of certain governmental activities. Some funds are required to be set up by law, and others to meet state and federal government requirements. All the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

CITY OF CANANDAIGUA, NEW YORK  
Management's Discussion and Analysis, Continued

- **Governmental Funds:** Governmental funds focus on a government's near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. The City maintains nine individual government funds that are included in the governmental balance sheet and statement of revenues, expenditures, and changes in fund balances. Major funds consist of the general fund, capital project fund and the community development fund. Nonmajor funds, combined on the financial statements, consist of the capital projects fund, debt service fund, watershed program, parks and open spaces, technology fund and the cemetery fund. Data for each of these nonmajor funds can be found in the supplemental information.
- **Proprietary Funds:** Proprietary funds are used to account for governmental activities that are like commercial activities. Generally, they account for the production of goods or services sold to the public. A type of proprietary fund is an enterprise fund which a government establishes to account for activities that consist of rendering services or providing goods to the public for which a fee or charge is collected. The City has established two enterprise funds, a water fund and sewer fund.
- **Fiduciary Funds:** Fiduciary funds are used to account for assets held in a trustee or custodial capacity. The City maintains one agency fund. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are located following the basic financial statements section of this report.

**Other Supplementary Information**

Other supplementary information includes combining financial statements for nonmajor governmental funds, each of which are added together and presented in single columns in the financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the City's financial position. As of December 31, 2013 the total assets of the City exceeded liabilities by \$55,810,614.

CITY OF CANANDAIGUA, NEW YORK  
Management's Discussion and Analysis, Continued

**CONDENSED STATEMENTS OF NET POSITION  
FOR GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**

	December 31, 2013			December 31, 2012		
	Governmental activities	Business-type activities	Total government	Governmental activities	Business-type activities	Total government
Current assets	\$ 7,071,265	6,120,301	13,191,566	\$ 8,157,605	6,898,099	15,055,704
Capital and other assets	40,826,875	24,320,199	65,147,074	40,220,606	24,432,549	64,653,155
Total assets	47,898,140	30,440,500	78,338,640	48,378,211	31,330,648	79,708,859
Other liabilities	758,763	532,443	1,291,206	724,511	501,334	1,225,845
Long-term liabilities	7,898,516	13,338,304	21,236,820	9,237,403	14,097,175	23,334,578
Total liabilities	8,657,279	13,870,747	22,528,026	9,961,914	14,598,509	24,560,423
Net position:						
Net investment in capital assets	33,865,196	11,179,804	45,045,000	31,790,550	10,528,649	42,319,199
Restricted	1,847,493	3,008,341	4,855,834	2,871,000	3,645,668	6,516,668
Unrestricted	3,528,172	2,381,608	5,909,780	3,754,747	2,557,822	6,312,569
Total net position	\$ 39,240,861	16,569,753	55,810,614	\$ 38,416,297	16,732,139	55,148,436

The largest component of the City's net position, \$45,045,000 or approximately 80.7%, reflects its investment in capital assets (land, buildings and facilities, machinery and equipment, rolling stock and infrastructure), less accumulated depreciation and any related outstanding debt used to acquire or construct the assets. The City uses these capital assets to provide a variety of services to its citizens and as a result these assets are not available for future spending.

Although the City's investment in a capital asset is reported net of related debt, the resources used to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position is restricted, representing resources that are subject to external restriction on how they may be used. Approximately \$4,855,834 or 8.7% of total net position is restricted and is not available to finance the day-to-day operations of the City. The decrease of \$1,660,834 in the restricted portion of net position from fiscal 2012 to fiscal 2013 is attributed to additional purchases of capital improvements.

The remaining \$5,909,780 balance of unrestricted net position can be used to finance future operations.



CITY OF CANANDAIGUA, NEW YORK  
Management's Discussion and Analysis, Continued

**CHANGES IN NET POSITION FOR  
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**

	December 31, 2013			December 31, 2012		
	Governmental activities	Business-type activities	Total government	Governmental activities	Business-type activities	Total government
Program revenue:						
Charges for service	\$ 1,655,373	5,517,102	7,172,475	\$ 1,542,141	5,527,154	7,069,295
Operating grants and contributions	252,251	-	252,251	272,401	-	272,401
Capital grants and contributions	1,233,962	-	1,233,962	334,614	-	334,614
General revenue:						
Real property taxes	4,710,277	-	4,710,277	4,661,050	-	4,661,050
Non-property taxes	4,470,216	-	4,470,216	4,447,478	-	4,447,478
Governmental aid	1,311,056	-	1,311,056	1,319,227	-	1,319,227
Other	298,677	60,231	358,908	285,143	50,623	335,766
Transfers	290,000	(290,000)	-	290,000	(290,000)	-
Transfer from fiduciary fund to government fund	36,986	-	36,986	-	-	-
Total revenue	14,258,798	5,287,333	19,546,131	13,152,054	5,287,777	18,439,831
Program expenses:						
General government	2,657,910	-	2,657,910	2,184,994	-	2,184,994
Public safety	4,969,952	-	4,969,952	5,013,420	-	5,013,420
Transportation	2,724,105	-	2,724,105	2,975,538	-	2,975,538
Economic Assistance and Opportunity	574,179	-	574,179	174,357	-	174,357
Cultural and recreation	1,271,925	-	1,271,925	1,349,144	-	1,349,144
Home and community services	988,616	-	988,616	934,407	-	934,407
Interest on long-term debt	247,547	-	247,547	278,974	-	278,974
Water	-	2,844,973	2,844,973	-	2,839,549	2,839,549
Sewer	-	2,604,746	2,604,746	-	2,269,387	2,269,387
Total expenses	13,434,234	5,449,719	18,883,953	12,910,834	5,108,936	18,019,770
Change in net position	824,564	(162,386)	662,178	241,220	178,841	420,061
Net position at beginning of year as previously reported	38,416,297	16,732,139	55,148,436	37,772,602	16,553,298	54,325,900
Prior period adjustment	-	-	-	402,475	-	402,475
Net position at beginning of year as restated	38,416,297	16,732,139	55,148,436	38,175,077	16,553,298	54,728,375
Net position at end of year	\$ 39,240,861	16,569,753	55,810,614	\$ 38,416,297	16,732,139	55,148,436

The revenue and expense information was derived from the government-wide statement of activities and reflects how the City's net position changed during the fiscal year. The City's total net position increased \$662,178 during fiscal 2013. Total government expenses of \$18.88 million were offset by revenues of \$19.55 million. The increase in net position was 57.6% more than 2012 and was due to an increase in revenues of 6.0% with an increase in expenditures of 4.8%.

Governmental Activities: Governmental activities net position increased \$824,564 in fiscal year 2013 which represents an increase of \$583,344 from the prior year.

CITY OF CANANDAIGUA, NEW YORK  
Management's Discussion and Analysis, Continued

Total revenues from governmental activities increased \$1,106,744 over 2012 totaling \$14,258,798 million in 2013.

Program revenues represented 22.1% of total governmental revenues.

- Charged for service increased 7.3% primarily due to fees collected from developers for the planned unit development.
- Operating grants and contributions decreased 7.4% due to the completion of a shared services grant in 2012.
- Capital grants and contributions increased by \$899,348 over the prior year. The City received grants for Main Street and Antis Street parking lot in the amount of \$426,080 and an increase in Consolidated Highway Improvement Funds of \$173,452 over the prior year. The City also administered a pass through grant to Pathstone Corporation for the renovation of Thompson Apartments in the amount of \$337,441.

General revenues (taxes, intergovernmental, investment earnings and other revenue) represented 77.9% of total governmental revenues.

- Non-property taxes showed a modest increase of .5% over the prior year.
- Governmental aid decreased by .6% due to a change in the School Resource position funding.
- Transfers increased 100% due to the establishment of a cemetery special revenue fund which was funded by a transfer from the trust fund.

Program expenses increased \$523,400 or 4.1% over fiscal year 2012.

- City employees received a wage increase of 2.0% in 2013.
- Employee benefits increased by 5.8% over the prior year primarily driven by retirement expenses which increased by 25% due to rising pension contribution rates and wage increases.
- General government expenditures increased by 21.6% over 2012 due to an increase in capital purchases and legal services.
- Economic assistance and opportunity increased by 229.3% due the administration of a pass through grant to Pathstone Corporation. There is a corresponding increase in Capital grants.
- Interest on long-term debt decreased by 11.3% due to the payoff of bonds.

Business-Type Activities: The net position of business-type activities (Water Fund and Sewer Fund) decreased by \$162,386 in fiscal year 2013 which represents a decrease of \$341,227 from the prior year.

Revenues for business-type activities totaled approximately \$5.29 million, no change from the prior year, while expenses totaled \$5.45 million, an increase of 6.7% from the prior year. Significant variances are as follows:

- Expenditures experienced an increase partially driven by an increase in depreciation expense and benefit expense for both the water and sewer fund.
- The sewer fund interest expense increased due to the increase in bond interest from a large capital investment and an increase in transfers to the capital reserve funds.

CITY OF CANANDAIGUA, NEW YORK  
Management's Discussion and Analysis, Continued

**FINANCIAL ANALYSIS OF CITY FUNDS**

**Governmental Funds**

At the end of the current fiscal year, the City reported a combined fund balance of \$5.87 million, a decrease of \$1,248,109 from the prior year. A summary of the change in fund balance for all funds is as follows:

**CHANGES IN FUND BALANCE FOR  
GOVERNMENTAL FUNDS  
FOR THE PERIOD ENDING DECEMBER 31,**

	<u>2013</u>	<u>2012</u>	Increase (decrease)
General fund:			
Nonspendable for prepaid expenses	\$ 330,471	286,705	43,766
Restricted for insurance	186,126	186,636	(510)
Restricted for capital	820,369	1,300,489	(480,120)
Restricted for amounts held in reserve			
by contributors for a specific purpose	2,199	15,853	(13,654)
Assigned for expenditures	35,503	50,648	(15,145)
Assigned for Kershaw Park	37,548	57,600	(20,052)
Assigned - designated for subsequent			
year's expenditures	4,761	718,293	(713,532)
Unassigned	<u>3,429,523</u>	<u>3,289,704</u>	<u>139,819</u>
Total fund balance - general fund	<u>4,846,500</u>	<u>5,905,928</u>	<u>(1,059,428)</u>
Capital projects fund:			
Restricted for capital expenditures	166,285	33,671	132,614
Unassigned budget deficit which will be			
eliminated by a transfer from the capital			
reserve fund when expended	<u>(166,285)</u>	<u>(74,779)</u>	<u>(91,506)</u>
Total fund balance - capital fund	<u>-</u>	<u>(41,108)</u>	<u>41,108</u>
Community development fund - restricted for			
Community Block Grant Funds	<u>404,138</u>	<u>354,906</u>	<u>49,232</u>
Nonmajor governmental funds:			
Nonspendable for prepaid expenses	2,861	2,326	535
Restricted for debt service	177,952	362,952	(185,000)
Assigned for the Watershed program	51,276	89,973	(38,697)
Assigned for parks and open spaces	24,576	20,532	4,044
Assigned for technology	306,781	426,224	(119,443)
Assigned for cemetery fund	37,017	-	37,017
Assigned for expenditures	<u>22,523</u>	<u>-</u>	<u>22,523</u>
Total fund balance - nonmajor fund	<u>622,986</u>	<u>902,007</u>	<u>(279,021)</u>
Total fund balance - all funds	<u>\$ 5,873,624</u>	<u>7,121,733</u>	<u>(1,248,109)</u>

CITY OF CANANDAIGUA, NEW YORK  
Management's Discussion and Analysis, Continued

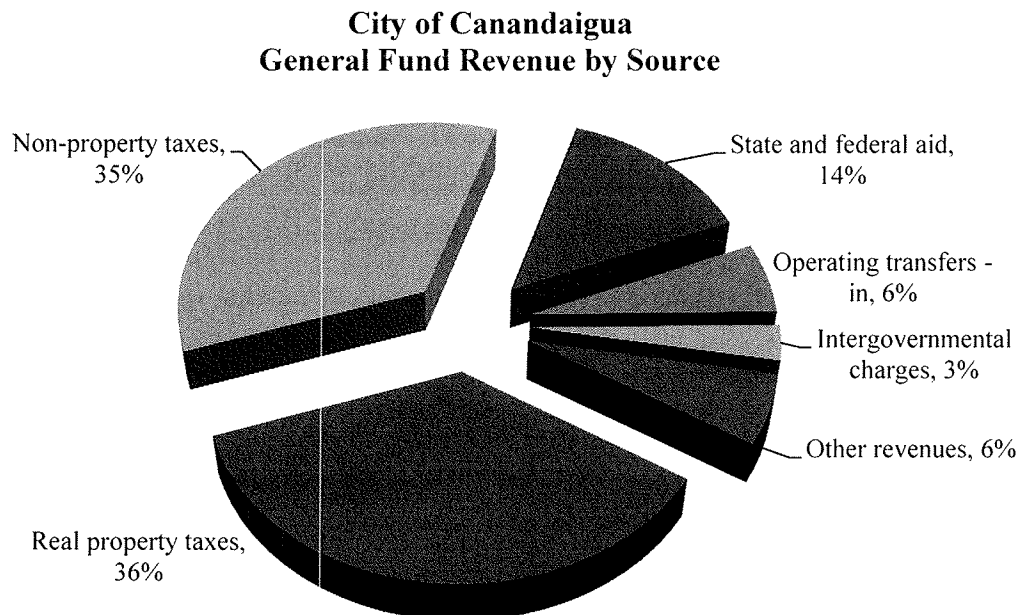
### General Fund

The City's general fund is the largest "fund" of the City comprising 62% of the adopted 2013 City budget. Some of the services provided by the general fund are:

- Issuing and maintaining vital records (birth, death, and marriage certificates) and issuing various state and local licenses and permits;
- Providing public safety services, including police and fire protection and code enforcement;
- Building and maintaining roads and bridges, including snow and ice removal, street lighting and sidewalks;
- Operating and maintaining public parks and offering recreation programs;
- Providing sanitation services including curb-side collection of solid waste and recyclable materials, street sweeping and the maintenance of storm sewers;
- Planting and maintaining an "urban forest" of trees along city streets and on other public property.

In addition to the above programs, the general fund provides support such as administration, accounting and financial management, payroll and personnel, assessment, planning and zoning, legal, etc.

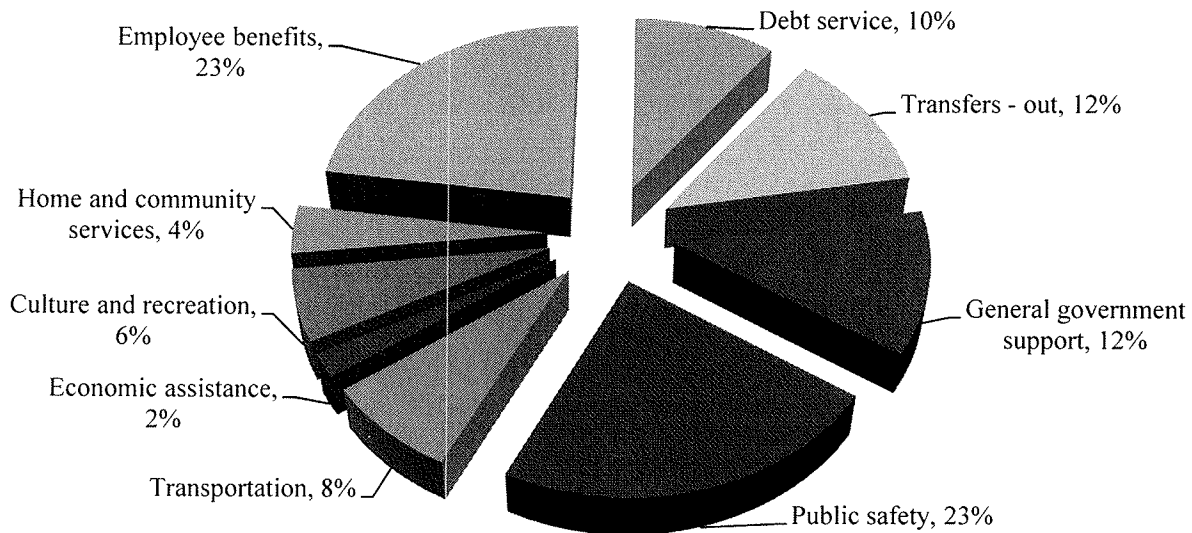
The City relies upon a number of important revenue sources to fund its operating expenses. Property taxes, sales taxes and State aid are the most significant sources of general fund revenue.



Public safety (police and fire services), public works operations, debt service, and employee benefits and other undistributed expenses are the most significant sources of general fund expense.

CITY OF CANANDAIGUA, NEW YORK  
Management's Discussion and Analysis, Continued

**City of Canandaigua  
General Fund Expenditures by Program**

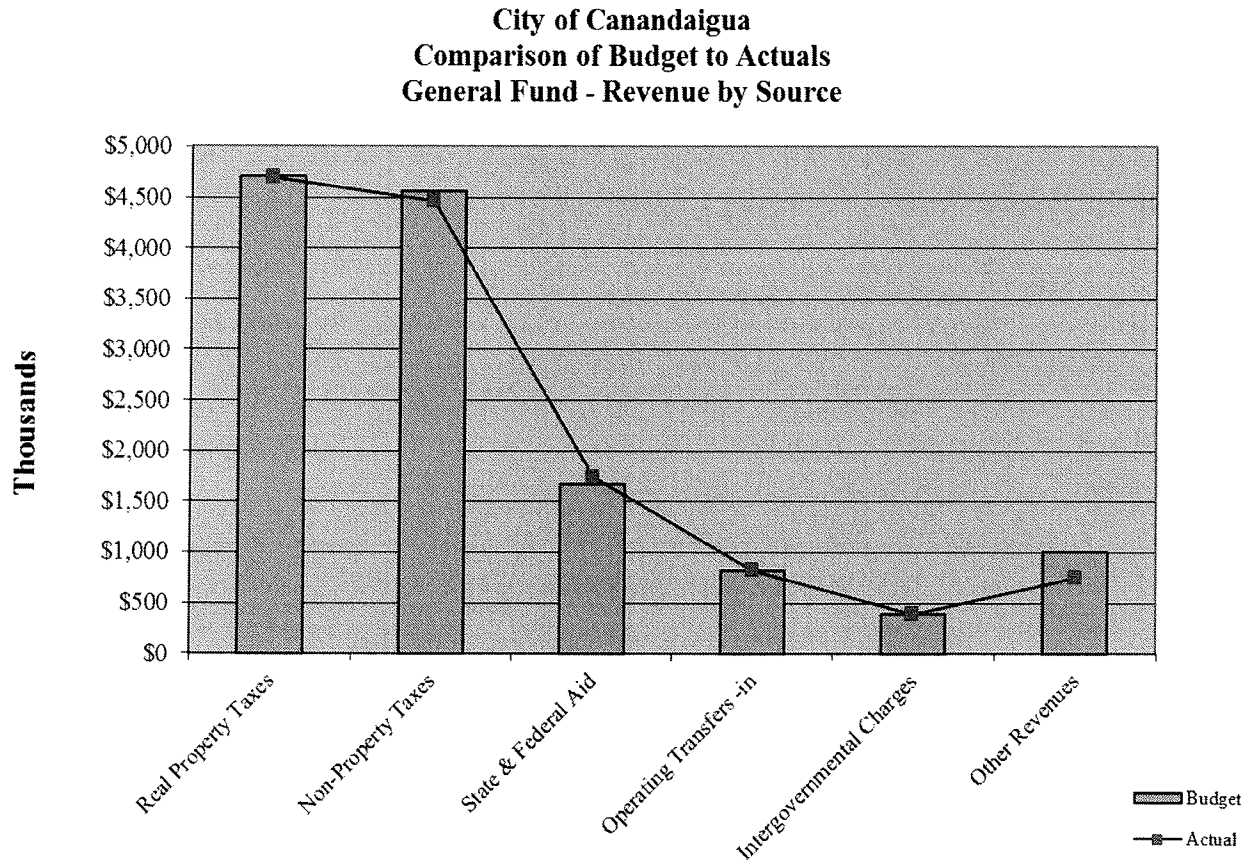


The amended general fund budget in the amount of \$14.24 million anticipated the use of \$1,070,376 of fund balance and reserves. However, actual results of operations showed an overall decrease to fund balance of \$560,675, which resulted in a net increase to fund balance (net of encumbrances) of \$476,127, comparing the actual results to the budget.

General fund revenue overall had a negative variance of \$289,921 as compared to budget. The largest variances were:

- Property tax interest and penalties were 14.63% below budgeted estimates.
- Other non-property taxes which includes sales tax, occupancy tax, utilities tax and cable franchise, which are dependent on economic activities, came in at 2.12% below budgeted estimates.
- Rental housing inspection fees were 73.76% below budget due to a vacant code enforcement officer position.
- Certain revenue reimbursements were below budget by \$71,101; however the budgeted expenditures were impacted by the same amount.
- The firefighter safer grant was 37.95% above budget due to a grant amendment that was allowed to reimburse additional expenditures.

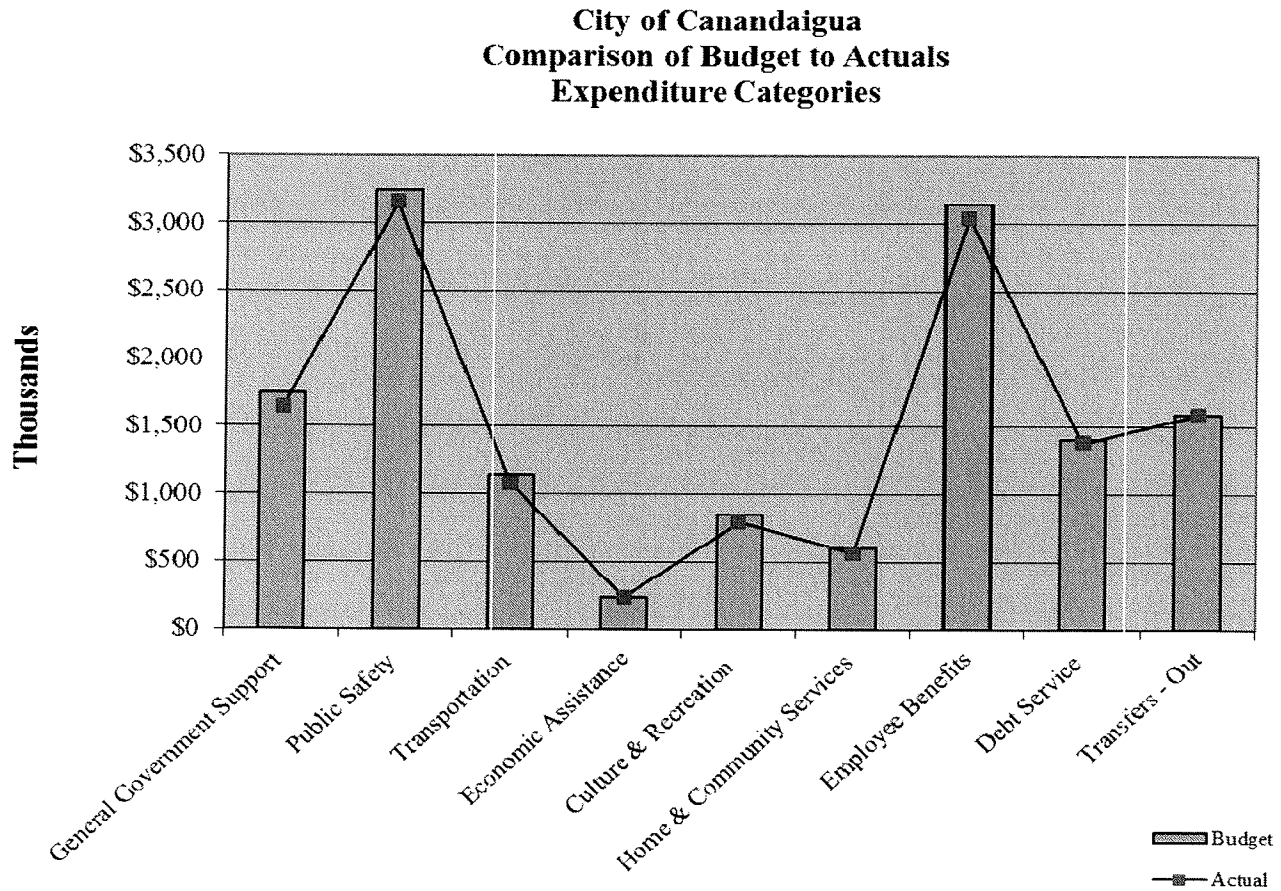
CITY OF CANANDAIGUA, NEW YORK  
Management's Discussion and Analysis, Continued



General fund expenditures reflected an overall positive variance of \$766,048 (net of encumbrances) as compared to the budget. The largest variances were:

- All departments, including general government, public safety, transportation, economic assistance, culture and recreation, and home and community ended the year under budget. This was primarily due to lower than anticipated contractual costs such as legal challenges, utilities, and estimated reimbursable costs. There were also lower than anticipated salaries and wages due to retirement of employees.
- Employee benefits experienced a budget surplus of 3.0% due to lower than estimated retirement benefits and a decrease in estimated medical and dental expenses of 3.18%.
- Interest on bond payments was lower than anticipated due the lower than expected interest rate secured on the long term financing.
- Budget contingency for unanticipated expenses in the amount of \$300,000 was passed in the approved budget. Amendments during the year utilized \$27,150 of the contingency leaving a balance of \$272,850 of budget savings in expenditures.

CITY OF CANANDAIGUA, NEW YORK  
Management's Discussion and Analysis, Continued



### Proprietary Funds

The other two major “funds” of the City are the water fund and the sewer fund, which comprised 15% and 14% of the 2013 adopted City budget, respectively. The services provided by these enterprise funds are:

- Providing drinking water to city residents and selling drinking water to several town water districts; and
- Collecting, treating and discharging wastewater through a sanitary sewer system serving City residents, and providing wastewater treatment services to the county sewer district.

Each of these activities is run like a separate business with its own record of revenue, expenses and cash balances. The City’s proprietary funds provide the same type of information found in the government-wide statements but in more detail.

At the end of the current fiscal year, the City reported total net position for its enterprise funds of \$16.57 million, a decrease of \$162,386 in comparison with the prior year. Of the total net position, \$11.18 million is recorded as an investment in capital assets net of related debt, \$3.00 million is restricted for capital reserves and debt service and the remaining \$2.38 million is unrestricted.

CITY OF CANANDAIGUA, NEW YORK  
Management's Discussion and Analysis, Continued

Water Fund - This fund finished the current fiscal year with a decrease in net position of \$167,995. The unrestricted fund balance is \$1.05 million, with an amount reserved for capital expenditures and debt service of \$1.20 million.

Sewer Fund - This fund finished the current fiscal year with an increase in net position of \$5,609. The unrestricted fund balance is \$1.33 million, with an amount reserved for capital expenditures and debt service of \$1.81 million.

### GOVERNMENT-WIDE CAPITAL ASSET AND DEBT ADMINISTRATION

At December 31, 2013, the City has \$64.07 million (after depreciation is deducted) in a broad range of capital assets including land, buildings, and machinery and equipment and construction in progress. The change in the City's net assets between 2013 and 2013 is reflected below:

#### Capital Assets, Net of Depreciation

	December 31, 2013			December 31, 2012		
	Governmental activities	Business-type activities	Total government	Governmental activities	Business-type activities	Total government
Land and land improvements	\$ 11,114,975	169,333	11,284,308	9,634,570	172,202	9,806,772
Buildings and improvements	3,737,141	18,356,742	22,093,883	3,957,263	11,719,335	15,676,598
Machinery and equipment	2,986,409	1,274,830	4,261,239	1,653,268	812,662	2,465,930
Infrastructure	21,791,994	4,510,981	26,302,975	23,676,596	4,966,169	28,642,765
Construction in progress	121,356	8,313	129,669	88,909	6,762,181	6,851,090
Total capital assets	<u>\$ 39,751,875</u>	<u>24,320,199</u>	<u>64,072,074</u>	<u>39,010,606</u>	<u>24,432,549</u>	<u>63,443,155</u>

Government-Wide Capital Assets - The net increase in capital assets during the current fiscal year amounted to \$741,270 and included the following:

- The construction or improvement to buildings and facilities - \$30,546
- The reconstruction of streets, sidewalks, and parking lots - \$1,680,380
- The purchase of vehicles and equipment - \$1,177,468
- Depreciation expense of \$2,147,125 was charged against the assets

Business-Type Activities Capital Assets - The net decrease in capital assets during the current fiscal year amounted to \$112,350 and included the following:

- The construction or improvement to buildings and facilities - \$764,862
- The purchase of vehicles and equipment - \$613,449
- Depreciation expense of \$1,490,661 was charged against the assets



CITY OF CANANDAIGUA, NEW YORK  
Management's Discussion and Analysis, Continued

### LONG-TERM DEBT

At December 31, 2013, the City had \$21.24 million in general obligation and other long-term debt outstanding as follows:

	December 31, 2013			December 31, 2012		
	Governmental <u>activities</u>	Business-type <u>activities</u>	Total <u>government</u>	Governmental <u>activities</u>	Business-type <u>activities</u>	Total <u>government</u>
Serial bonds	\$ 6,054,605	13,140,395	19,195,000	7,201,600	13,903,900	21,105,500
Compensated absences	599,345	157,735	757,080	652,390	151,864	804,254
HUD 108 - Serial bond	1,075,000	-	1,075,000	1,210,000	-	1,210,000
Other postemployment benefits	169,566	40,174	209,740	173,413	41,411	214,824
Total long-term debt	<u>\$ 7,898,516</u>	<u>13,338,304</u>	<u>21,236,820</u>	<u>9,237,403</u>	<u>14,097,175</u>	<u>23,334,578</u>

The City did not issue any new debt in 2013. Principal payments on serial bonds totaled \$1,910,500 for the year ending December 31, 2013.

The City is subject to a constitutional debt limit pursuant to Article VIII of the State Constitution and Title 9 Article 2 of the Local Finance Law. This debt limit is equal to 7% of the latest five-year average of the full valuation of all taxable real property within the City. The water fund debt is constitutionally excluded from the debt limit, and the sewer fund debt prior to 2013 is excluded from the debt limit pursuant to Section 124.10 of the Local Finance Law. At December 31, 2013, the city exhausted 15.64% of its constitutional debt capacity and had the authority to issue up to an additional \$38.54 million of general obligation long-term debt.

### CREDIT RATING

The City was issued an excellent Aa3 credit rating by Moody's in 2012.

### FUTURE FINANCIAL IMPLICATIONS

The 2014 budget for the City of Canandaigua for general, capital, tech, water and sewer funds totaled \$21.43 million.

#### General Fund Highlights:

- The General Fund 2014 budget decreased 3.24% over prior year's budget.
- Property tax rates increased to \$6.83 per thousand which represents a 1.5% increase in the tax levy. The tax levy for 2014 is \$4,544,229 for general revenues and \$42,491 for special assessments which total \$4,586,720. The total tax levy is under the tax cap levy of \$4,670,232.
- Sales tax revenues were increased 2.5% over the 2013 budget which is a lower rate of growth as in prior years.
- Due to its own fiscal problems, the State has held AIM funding flat from the prior year.

CITY OF CANANDAIGUA, NEW YORK  
Management's Discussion and Analysis, Continued

- The City adopted a Fund Balance Policy in 2007 stating that the City will maintain an undesignated General Fund balance equal to a minimum of two months (16.6%) of the ensuing year's budgeted expenditures. In keeping with this policy all available fund balance in excess of this minimum balance has been used to offset taxes. This resulted in an amount of \$335,232 appropriated into the 2014 budget of which \$330,471 is used to cover prepaid expenditures.
- A new agreement with the Town of Canandaigua was reached which increased their payment for fire services resulting in an additional \$70,463 in revenue.
- The fee schedule for the City of Canandaigua was reviewed and \$74,405 of additional revenue was added to the budget due to an increase in fees.
- General fund salaries and wages were budgeted at an increased of 2%. Additionally the fire department staff remained at 9 firefighters, although funding for three firefighters through the Safer grant has ended. The budget also includes adding part time firefighters to offset overtime costs. Another police officer was added for traffic enforcement with a corresponding increase of court fine revenue to offset part of the additional expenditures.
- Employee benefits increased by 3.87% over the 2013 budget. Retirement expenditures have leveled off for 2014 due a slight decrease in the rates. Medical and dental insurance increased 7.9% due to increased premiums.
- Debt service payments decrease 4.32% and the transfer to the capital reserve decreased 39.5% over 2013.
- The contingency was reduced 66.6% due to a better estimate of the extent of potential liability from the firefighter restructuring.

Business-type Activities:

- The total Water Fund expenditures decreased by .27% with no increase in the rate charged to City customers for 2014. There was no appropriation from fund balance for 2014.
- The Sewer Fund budget expenditures increased by 17.5% with an increase in the sewer rate of 8.53%. Approximately \$243,272 has been appropriated from fund balance for 2014.

The City has made it a practice to maintain healthy fund balances, and has made a commitment to develop additional dedicated reserves. In 2007 we adopted a fund balance policy that preserves an undesignated fund balance as of December 31<sup>st</sup> equal to a minimum of two months of the ensuing year's budgeted general fund expenditures, with a targeted maximum of three months of the ensuing year's budgeted expenditures. These practices have enabled us to maintain our financial health despite adverse changes in the economic climate.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances. If you would like additional information, please contact:

DAVID R. FORREST  
CITY MANAGER  
TWO NORTH MAIN STREET  
CANANDAIGUA, NEW YORK 14424  
585-396-5000

CITY OF CANANDAIGUA, NEW YORK  
Statement of Net Position  
December 31, 2013

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 5,220,530	4,672,742	9,893,272
Accounts receivable, net	738,402	1,144,195	1,882,597
Due from other funds	1,929	-	1,929
Due from other governments	552,896	225,378	778,274
State and Federal aid receivable	224,176	-	224,176
Prepaid items	333,332	77,986	411,318
Total current assets	<u>7,071,265</u>	<u>6,120,301</u>	<u>13,191,566</u>
Long-term assets:			
Accounts receivable, net	1,075,000	-	1,075,000
Capital assets:			
Land	4,224,569	164,072	4,388,641
Work in progress	121,356	8,313	129,669
Other capital assets, net of depreciation	35,405,950	24,147,814	59,553,764
Total long-term assets	<u>40,826,875</u>	<u>24,320,199</u>	<u>65,147,074</u>
Total assets	<u>47,898,140</u>	<u>30,440,500</u>	<u>78,338,640</u>
Liabilities:			
Accounts payable and other current liabilities	389,636	441,320	830,956
Accrued liabilities	322,644	91,123	413,767
Due to other governments	46,483	-	46,483
Long-term liabilities:			
Due in one year	1,444,141	805,129	2,249,270
Due in more than one year	6,454,375	12,533,175	18,987,550
Total liabilities	<u>8,657,279</u>	<u>13,870,747</u>	<u>22,528,026</u>
Net Position:			
Net investment in capital assets	33,865,196	11,179,804	45,045,000
Restricted for:			
Capital reserves	820,369	2,860,626	3,680,995
Debt service	177,952	147,715	325,667
Special districts	849,172	-	849,172
Unrestricted	3,528,172	2,381,608	5,909,780
Total net position	<u>\$ 39,240,861</u>	<u>16,569,753</u>	<u>55,810,614</u>

See accompanying notes to financial statements.

CITY OF CANANDAIGUA, NEW YORK  
Statement of Activities  
Year ended December 31, 2013

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for</u>		<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
		<u>Services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>		
<u>Primary government:</u>						
Governmental activities:						
General government support	\$ 2,657,910	540,040	16,992	-	(2,100,878)	(2,100,878)
Public safety	4,969,952	629,627	106,941	176,908	(4,056,476)	(4,056,476)
Transportation	2,724,105	8,678	128,318	709,363	(1,877,746)	(1,877,746)
Economic assistance and opportunity	574,179	-	-	337,441	(236,738)	(236,738)
Culture and recreation	1,271,925	237,609	-	10,250	(1,024,066)	(1,024,066)
Home and community services	988,616	239,419	-	-	(749,197)	(749,197)
Interest on long-term debt	247,547	-	-	-	(247,547)	(247,547)
Total governmental activities	13,434,234	1,655,373	252,251	1,233,962	(10,292,648)	(10,292,648)
Business - type activities:						
Water fund	2,844,973	2,944,047	-	-	99,074	99,074
Sewer fund	2,604,746	2,573,055	-	-	(31,691)	(31,691)
Total business - type activities	5,449,719	5,517,102	-	-	67,383	67,383
Total primary government	\$ 18,883,953	7,172,475	252,251	1,233,962	(10,225,265)	(10,225,265)
General revenues:						
Taxes:						
Property taxes				4,710,277	-	4,710,277
Non-property taxes				4,470,216	-	4,470,216
Mortgage tax				191,752	-	191,752
Unallocated State aid				1,119,304	-	1,119,304
Compensation for loss				46,329	-	46,329
Investment earnings				221,948	9,825	231,773
Transfers				290,000	(290,000)	-
Transfer from fiduciary funds to government funds				36,986	-	36,986
Miscellaneous				30,400	50,406	80,806
Total general revenues				11,117,212	(229,769)	10,887,443
Change in net position				824,564	(162,386)	662,178
Net position at beginning of year				38,416,297	16,732,139	55,148,436
Net position at end of year				\$ 39,240,861	16,569,753	55,810,614

See accompanying notes to financial statements.

CITY OF CANANDAIGUA, NEW YORK  
Balance Sheet - Governmental Funds  
December 31, 2013

	General Fund	Capital Projects Fund	Community Development Fund	Nonmajor Governmental Funds	Total Funds
Assets:					
Cash and cash equivalents	\$3,960,208	148,692	485,382	626,248	5,220,530
Receivables	473,579	-	264,823	-	738,402
Due from other governments	552,896	-	-	-	552,896
State and Federal aid receivable	204,942	19,234	-	-	224,176
Prepaid items	330,471	-	-	2,861	333,332
Total assets	<u>\$5,522,096</u>	<u>167,926</u>	<u>750,205</u>	<u>629,109</u>	<u>7,069,336</u>
Liabilities, deferred inflows and fund balance:					
Liabilities:					
Accounts payables and other current liabilities	134,989	167,926	-	4,546	307,461
Accrued liabilities	294,583	-	998	1,577	297,158
Due to other governments	46,483	-	-	-	46,483
Collections in advance	-	-	80,246	-	80,246
Total liabilities	<u>476,055</u>	<u>167,926</u>	<u>81,244</u>	<u>6,123</u>	<u>731,348</u>
Deferred inflows	<u>199,541</u>	<u>-</u>	<u>264,823</u>	<u>-</u>	<u>464,364</u>
Fund balances (deficit):					
Nonspendable	330,471	-	-	2,861	333,332
Restricted	1,008,694	166,285	404,138	177,952	1,757,069
Assigned	77,812	-	-	442,173	519,985
Unassigned	<u>3,429,523</u>	<u>(166,285)</u>	<u>-</u>	<u>-</u>	<u>3,263,238</u>
Total fund balances	<u>4,846,500</u>	<u>-</u>	<u>404,138</u>	<u>622,986</u>	<u>5,873,624</u>
Total liabilities, deferred inflows and fund balances	<u>\$5,522,096</u>	<u>167,926</u>	<u>750,205</u>	<u>629,109</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resource and therefore are not reported in the funds.	39,751,875
Long-term liabilities, including serial bonds payable, are not due in the current period and therefore are not reported in the funds.	(7,129,605)
Accounts receivable - HUD108	1,075,000
Accounts receivable - HUD loans	264,823
Accounts receivable - Taxes	39,419
Accounts receivable - other	160,122
Interest is accrued on outstanding bonds in the statement of net position but not in the funds.	(25,486)
Other postemployment benefits are not reported in the funds under fund accounting but are expensed as the liability is incurred in the statement of net position.	(169,566)
Compensated absences are not reported in the funds under fund accounting but are expensed as the liability is incurred in the statement of net position.	(599,345)
Net position of governmental activities	<u>\$39,240,861</u>

See accompanying notes to financial statements.

CITY OF CANANDAIGUA, NEW YORK  
Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Governmental Funds  
Year ended December 31, 2013

	General Fund	Capital Projects Fund	Community Development Fund	Nonmajor Governmental Funds	Total Funds
Revenues:					
Real property and tax items	\$ 4,698,134	-	-	-	4,698,134
Non-property taxes	4,470,216	-	-	-	4,470,216
Departmental income	439,373	-	-	4,000	443,373
Intergovernmental charges	396,920	-	-	90,884	487,804
Use of money and property	42,378	-	80	179,489	221,947
Licenses and permits	62,802	-	-	-	62,802
Fines and forfeitures	156,443	-	-	-	156,443
Sale of property and compensation for loss	46,329	-	-	-	46,329
Miscellaneous	41,914	3,607	150,981	(3,273)	193,229
Interfund revenues	329,729	-	337,441	-	667,170
State and County aid	1,461,326	705,756	52,201	-	2,219,283
Federal aid	278,999	-	-	-	278,999
Total revenues	<u>12,424,563</u>	<u>709,363</u>	<u>540,703</u>	<u>271,100</u>	<u>13,945,729</u>
Expenditures:					
Current:					
General governmental support	1,637,229	34,164	-	275,640	1,947,033
Public safety	3,144,950	865,085	-	-	4,010,035
Transportation	1,060,874	1,801,514	-	-	2,862,388
Economic assistance and opportunity	234,984	-	337,441	-	572,425
Culture and recreation	795,897	67,864	-	-	863,761
Home and community services	559,840	-	3,049	98,724	661,613
Employee benefits	3,039,850	-	-	27,743	3,067,593
Debt service:					
Principal	1,146,995	-	135,000	-	1,281,995
Interest and other charges	238,000	-	15,981	-	253,981
Total expenditures	<u>11,858,619</u>	<u>2,768,627</u>	<u>491,471</u>	<u>402,107</u>	<u>15,520,824</u>
Excess (deficiency) of revenues over expenditures	<u>565,944</u>	<u>(2,059,264)</u>	<u>49,232</u>	<u>(131,007)</u>	<u>(1,575,095)</u>
Other financing sources and uses:					
Transfers in	290,000	2,100,372	-	36,986	2,427,358
Transfers out	<u>(1,915,372)</u>	<u>-</u>	<u>-</u>	<u>(185,000)</u>	<u>(2,100,372)</u>
Total other financing sources and uses	<u>(1,625,372)</u>	<u>2,100,372</u>	<u>-</u>	<u>(148,014)</u>	<u>326,986</u>
Net change in fund balances	(1,059,428)	41,108	49,232	(279,021)	(1,248,109)
Fund balances (deficit) at beginning of year	<u>5,905,928</u>	<u>(41,108)</u>	<u>354,906</u>	<u>902,007</u>	<u>7,121,733</u>
Fund balances at end of year	<u>\$ 4,846,500</u>	<u>-</u>	<u>404,138</u>	<u>622,986</u>	<u>5,873,624</u>

See accompanying notes to financial statements.

CITY OF CANANDAIGUA, NEW YORK  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to  
the Statement of Activities  
Year ended December 31, 2013

Net change in fund balance - total governmental funds \$(1,248,109)

Amounts reported for governmental activities in the statement  
of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital outlay	\$ 72,672	
Additions of assets, net of disposals	2,815,723	
Depreciation	<u>(2,147,125)</u>	741,270

Bond proceeds and capital leases provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayments of bond principal and leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,146,995

Amounts received from borrowers on the City's HUD loan program are recorded as revenues in the governmental funds, but are recorded against the loan receivable balance in the statement of net position. (48,775)

Compensated absences represent the value of the earned and unused portion of the liability for the vacation and compensatory time. They are reported in the statement of activities but do not require the use of the current financial resources and therefore are not reported as expenditures in the governmental funds. This is the net change of compensated absences. 53,045

Revenues in the statement of activities, that do not provide current financial resources and are not reported as revenues in the funds. 169,858

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditure is reported when due. 6,433

Other postemployment benefits represent the value of the unfunded portion of the cost of benefits for current employees upon retirement. They are reported in the statement of activities but do not require the use of the current financial resources and therefore are not reported as expenditures in the governmental funds. 3,847

Change in net position of governmental activities	<u>\$ 824,564</u>
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See accompanying notes to financial statements.

CITY OF CANANDAIGUA, NEW YORK  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
(Non-GAAP Basis of Budgeting) - General Fund  
Year Ended December 31, 2013

	Budget Original	Budget (incl Carryover Encumbrances) Amended	Actual	Encumbrances	Variances
Revenue and other sources:					
Revenues:					
Real property and tax items	\$4,708,084	4,708,084	4,698,134	-	(9,950)
Non-property taxes	4,566,891	4,566,891	4,470,216	-	(96,675)
Departmental income	399,276	705,596	436,774	-	(268,822)
Intergovernmental charges	392,912	396,812	396,920	-	108
Use of money and property	46,704	46,704	38,201	-	(8,503)
Licenses and permits	73,070	73,070	62,802	-	(10,268)
Fines and forfeitures	142,600	151,200	156,443	-	5,243
Sale of property and compensation for loss	-	-	13,581	-	13,581
Miscellaneous	6,150	30,315	41,884	-	11,569
Interfund revenues	329,729	329,729	329,729	-	-
State and County aid	1,463,304	1,465,404	1,461,326	-	(4,078)
Federal aid	201,115	201,115	278,999	-	77,884
Total revenue	12,329,835	12,674,920	12,385,009	-	(289,911)
Other sources - operating transfers	290,000	497,800	497,790	-	(10)
Total revenues and other sources	12,619,835	13,172,720	12,882,799	-	(289,921)
Expenditures:					
Current:					
General governmental support	1,546,678	1,747,738	1,632,084	10,395	105,259
Public safety	3,219,519	3,246,835	3,144,950	8,564	93,321
Transportation	1,145,155	1,141,357	1,060,874	10,115	70,368
Economic assistance and opportunity	228,484	234,984	234,984	-	-
Culture and recreation	785,437	849,872	795,897	-	53,975
Home and community services	484,429	607,949	559,840	4,500	43,609
Employee benefits	3,100,152	3,141,931	3,039,850	-	102,081
Debt service:					
Principal	1,131,995	1,131,995	1,146,995	-	(15,000)
Interest and other charges	277,585	277,585	238,000	-	39,585
Total expenditures	11,919,434	12,380,246	11,853,474	33,574	493,198
Other uses:					
Operating transfers	1,405,000	1,590,000	1,590,000	-	-
Contingency	300,000	272,850	-	-	272,850
Total expenditures and other uses	13,624,434	14,243,096	13,443,474	33,574	766,048
Revenues and other sources over (under) expenditures and other uses	(1,004,599)	(1,070,376)	(560,675)	(33,574)	476,127
Increase to (use of) reserves:					
Insurance reserve fund	-	-	1,419	(1,929)	
Kershaw Park reserve fund	-	-	(20,052)	-	
Capital reserve	-	-	(480,120)	-	
Total increase to (use of) reserves	-	-	(498,753)	(1,929)	
Net changes in fund balance	(1,004,599)	(1,070,376)	(1,059,428)	(35,503)	
Fund balances at beginning of year	5,184,481	5,184,841	5,905,928	-	
Fund balances at end of year	\$4,179,882	4,114,465	4,846,500	(35,503)	

See accompanying notes to financial statements.



CITY OF CANANDAIGUA, NEW YORK  
Statement of Net Position -  
Proprietary Funds  
December 31, 2013

	<u>Business Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
	<u>fund</u>	<u>fund</u>	
Assets:			
Cash and cash equivalents	\$1,681,947	2,990,795	4,672,742
Accounts receivable, net	770,843	373,352	1,144,195
Due from other governments	-	225,378	225,378
Prepaid items	44,400	33,586	77,986
Capital assets:			
Land	40,736	123,336	164,072
Work in progress	8,313	-	8,313
Other capital assets, net of depreciation	<u>9,179,617</u>	<u>14,968,197</u>	<u>24,147,814</u>
Total assets	<u>11,725,856</u>	<u>18,714,644</u>	<u>30,440,500</u>
Liabilities:			
Accounts payable and other current liabilities	45,427	395,893	441,320
Accrued liabilities	69,181	21,942	91,123
Noncurrent liabilities:			
Due in one year	310,097	495,032	805,129
Due in more than one year	<u>5,221,865</u>	<u>7,311,310</u>	<u>12,533,175</u>
Total liabilities	<u>5,646,570</u>	<u>8,224,177</u>	<u>13,870,747</u>
Net position:			
Net investment in capital assets	3,829,266	7,350,538	11,179,804
Restricted for - capital reserves	1,128,240	1,732,386	2,860,626
Restricted for - debt service	72,511	75,204	147,715
Unrestricted	<u>1,049,269</u>	<u>1,332,339</u>	<u>2,381,608</u>
Total net position	<u>\$6,079,286</u>	<u>10,490,467</u>	<u>16,569,753</u>

See accompanying notes to financial statements.

CITY OF CANANDAIGUA, NEW YORK  
Statement of Revenues, Expenditures, and Changes in  
Net Position - Proprietary Funds  
Year ended December 31, 2013

	<u>Business Type Activities - Enterprise Funds</u>		
	<u>Water fund</u>	<u>Sewer fund</u>	<u>Total</u>
Operating revenues:			
Contributions from operations	\$2,944,047	2,573,055	5,517,102
Rental of real property	8,880	-	8,880
Other revenue	<u>10,476</u>	<u>24,700</u>	<u>35,176</u>
Total operating revenues	<u>2,963,403</u>	<u>2,597,755</u>	<u>5,561,158</u>
Operating expenses:			
Judgments, claims, and insurance premiums	381,621	269,929	651,550
General services	1,644,136	994,870	2,639,006
Contractual expenses	26,179	226,662	252,841
Other professional services	3,341	15,787	19,128
Depreciation	<u>566,803</u>	<u>923,858</u>	<u>1,490,661</u>
Total operating expenses	<u>2,622,080</u>	<u>2,431,106</u>	<u>5,053,186</u>
Operating income	<u>341,323</u>	<u>166,649</u>	<u>507,972</u>
Nonoperating revenue (expense):			
Interest income	3,575	6,250	9,825
Interest expense	(222,893)	(173,640)	(396,533)
Interfund transfer	(290,000)	-	(290,000)
Other income	<u>-</u>	<u>6,350</u>	<u>6,350</u>
Total nonoperating expense	<u>(509,318)</u>	<u>(161,040)</u>	<u>(670,358)</u>
Change in net position	(167,995)	5,609	(162,386)
Net position at beginning of year	<u>6,247,281</u>	<u>10,484,858</u>	<u>16,732,139</u>
Net position at end of year	<u>\$6,079,286</u>	<u>10,490,467</u>	<u>16,569,753</u>

See accompanying notes to financial statements.

CITY OF CANANDAIGUA, NEW YORK  
Statement of Cash Flows  
Proprietary Funds  
Year ended December 31, 2013

	<u>Business Type Activities - Enterprise Funds</u>		
	<u>Water fund</u>	<u>Sewer fund</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from services	\$ 2,941,048	2,599,697	5,540,745
Cash payments to insurance providers	(381,621)	(269,929)	(651,550)
Cash payments for contractual services	(1,667,287)	(1,223,632)	(2,890,919)
Other operating revenue	<u>19,356</u>	<u>24,700</u>	<u>44,056</u>
Net cash provided by operating activities	<u>911,496</u>	<u>1,130,836</u>	<u>2,042,332</u>
Cash flows from capital and related financing activities:			
Principal payments of debt (capital)	(291,900)	(471,605)	(763,505)
Interest expense (capital)	(222,893)	(173,640)	(396,533)
Interfund transfer	(290,000)	-	(290,000)
Purchases of capital assets	(88,641)	(1,289,670)	(1,378,311)
Other receipts	<u>-</u>	<u>6,350</u>	<u>6,350</u>
Net cash used in capital and related financing activities	<u>(893,434)</u>	<u>(1,928,565)</u>	<u>(2,821,999)</u>
Cash flows from investing activities - investment income	<u>3,575</u>	<u>6,250</u>	<u>9,825</u>
Net increase (decrease) in cash and cash equivalents	21,637	(791,479)	(769,842)
Cash and cash equivalents at beginning of year	<u>1,660,310</u>	<u>3,782,274</u>	<u>5,442,584</u>
Cash and cash equivalents at end of year	<u>\$ 1,681,947</u>	<u>2,990,795</u>	<u>4,672,742</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	341,323	166,649	507,972
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	566,803	923,858	1,490,661
Changes in:			
Accounts receivable	(2,999)	26,642	23,643
Prepaid items	(8,002)	(7,685)	(15,687)
Accounts payable and accrued liabilities	12,777	18,332	31,109
Compensated absences	(1,237)	3,040	1,803
Other postemployment benefits	<u>2,831</u>	<u>-</u>	<u>2,831</u>
Net cash provided by operating activities	<u>\$ 911,496</u>	<u>1,130,836</u>	<u>2,042,332</u>

See accompanying notes to financial statements.

CITY OF CANANDAIGUA, NEW YORK  
Statement of Fiduciary Net Position -  
Fiduciary Funds  
December 31, 2013

	Expendable <u>Trust</u>	Agency <u>funds</u>
Assets:		
Cash and cash equivalents	\$ -	43,715
Accounts receivable (net)	-	818
Due from other funds	-	-
	<hr/>	<hr/>
Total assets	-	44,533
	<hr/>	<hr/>
Liabilities:		
Accounts payable	-	5,176
Tax sale surplus	-	13,277
Other liabilities	-	26,080
Due to other funds	-	-
	<hr/>	<hr/>
Total liabilities	-	44,533
	<hr/>	<hr/>
Net position - unrestricted	<u>\$ -</u>	<u>-</u>

See accompanying notes to financial statements.

CITY OF CANANDAIGUA, NEW YORK  
Statement of Changes in Fiduciary Net Position -  
Fiduciary Funds  
Year ended December 31, 2013

	Expendable <u>Trust</u>
Non-operating revenues (expenses):	
Transfer to other government-wide net assets	\$ (36,986)
Change in net position	(36,986)
Net position at beginning of year	<u>36,986</u>
Net position at end of year	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

# CITY OF CANANDAIGUA, NEW YORK

## Notes to Financial Statements

December 31, 2013

### (1) Summary of Significant Accounting Policies

The financial statements of the City of Canandaigua, New York (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

#### (a) Financial Reporting Entity

The City is governed by the charter of the City of Canandaigua, the General City Law, other general laws of the State of New York and various local laws and ordinances. The City Council, consisting of the Mayor and eight council persons, is the legislative body responsible for overall operations of the City. The City Manager serves as Chief Administrative Officer and the Chief Financial Officer of the City.

The City provides the following basic services to all residents of the City; police protection and law enforcement, fire fighting and prevention, a water treatment plant and distribution system, a sewage treatment plant and collection system, a traffic control system, street lighting, a street maintenance force (including construction, repair and snow/ice removal), recreation facilities and programs, refuse and garbage removal, community development and a staff to provide the necessary support for these services.

The financial reporting entity consists of (a) the primary government which is the City and (b) organizations for which the nature and significance of the relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement 14.

The decision to include a potential component unit in the City's reporting entity is based on several criteria set forth in GASB 14 including legal standing, fiscal dependency, and financial accountability.

The accompanying basic financial statements include only the operations of the City since there are no other organizations that meet the criteria for inclusion in the reporting entity of the City.

#### (b) Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The GASB is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. The City's financial statement presentation is prepared in accordance with the provisions of GASB Statement No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This statement codifies all sources of accounting principles generally accepted in the United States of America into the GASB's authoritative literature.

CITY OF CANANDAIGUA, NEW YORK  
Notes to Financial Statements, Continued

(1) Summary of Certain Significant Accounting Policies, Continued

(b) Basis of Presentation, Continued

Government-Wide Statements

The statement of net position and the statement of activities present financial information about the City's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of the internal transactions. Governmental activities generally are financed through taxes, State and Federal aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The City does not allocate indirect costs. An administrative service fee is charged by the general fund to the City's enterprise funds that is eliminated like a reimbursement (reducing the revenue and expense in the general fund) to recover the direct costs of services provided (finance, personnel, purchasing, legal, technology, management, etc.).

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

Fund Financial Statements

The fund statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each as displayed in a separate column. The City reports the following major governmental funds:

General Fund - The principal operating fund that includes all operations not required to be recorded in other funds.

Capital Projects Fund - Used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Community Development Fund - Used to account for grants received which are to be used for economic development and housing rehabilitation.

CITY OF CANANDAIGUA, NEW YORK  
Notes to Financial Statements, Continued

(1) Summary of Certain Significant Accounting Policies, Continued

(b) Basis of Presentation, Continued

Fund Financial Statements, Continued

The other funds which do not meet the major fund criteria are aggregated and reported as non-major other governmental funds. The following are reported as non-major other governmental funds:

Debt Service Fund - Used to account for financial resources accumulated in a reserve for payment of future principal and interest on long-term indebtedness.

Special Revenue Funds - Used to account for taxes, user fees, or other revenues which are raised or received to provide special services to areas that may or may not encompass the whole City. The following are non-major special revenue funds utilized by the City:

Watershed Program  
Parks & Open Spaces  
Technology

Proprietary funds are to account for the City's ongoing organizations or activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income.

Enterprise funds are used to account for operations that provide a service and are financed primarily by a user charge for the provision of that service or the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The enterprise funds include the water and sewer funds.

Additionally, the City reports the following fiduciary fund type that is used to account for assets held by the City in a custodial capacity:

Agency Fund - Is custodial in nature and does not present results of operations or have measurement focus. The agency fund is accounted for using the accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.

Expendable Trust - This fund is used to account for monies donated to the City to benefit certain City owned cemeteries.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.



CITY OF CANANDAIGUA, NEW YORK  
Notes to Financial Statements, Continued

(1) Summary of Certain Significant Accounting Policies, Continued

(c) Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include grants and donations. On an accrual basis, revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for recognition for governmental fund revenues. Material revenues that are susceptible to accrual include charges for services, intergovernmental revenues and operating transfers. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made.

(d) Property Tax Revenue Recognition

The City property taxes are levied annually no later than December 15 and become a lien on May 1. Taxes are collected during the period May 1 to the third Friday in December. Taxes which remain unpaid after the collection period are enforced pursuant to the tax sale provisions in the City charter.

In addition to the liens for taxes levied for City purposes, the City assumes full enforcement responsibility for taxes levied by the County of Ontario and the Canandaigua City School District on properties within the City. The City pays to the County the full amount of the taxes to be collected on their behalf. Unpaid County and School District liens are added to liens for City taxes at the time of tax sales.

The City is permitted by the Constitution of New York State to levy taxes up to 2% of the five-year average full assessed valuations for general governmental services other than the payment of debt service and capital expenditure. The City utilizes a full value system, assessing all properties at 100% of full market value. For the year ended December 31, 2013, the City had a legal margin of approximately \$11,484,919.

No allowance for uncollectible taxes is recorded since such amounts, if any, are considered to be immaterial in nature. Taxes not collected within 60 days of year-end are recorded as deferred revenues. These amounts will be recognized as revenue when they are received.

CITY OF CANANDAIGUA, NEW YORK  
Notes to Financial Statements, Continued

(1) Summary of Certain Significant Accounting Policies, Continued

(e) Budgets and Budgetary Data

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

Annual budgets are adopted for the general, tech, capital, and enterprise funds only. Formal annual budgets are not prepared for the City's remaining special revenue, debt service and capital projects funds.

The budget policies are as follows:

No later than November 1, the City Manager submits a tentative budget to the City Council for the following year commencing the following January 1. The tentative budget includes appropriations and the proposed means of financing them. The general fund's budget is prepared on a departmental basis in which expenditures may not legally exceed appropriations on a departmental level.

After a public hearing is conducted to obtain citizens comments, no later than December 15, the City Council adopts the annual budget.

All revisions that alter total appropriations of any department or fund must be approved by the City Council.

Budgetary controls are established for the capital projects fund through resolutions authorizing individual projects.

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

(f) Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

(g) Investments

The City's investments are reported in accordance with GASB Statement No. 31. In accordance with this statement, investments are stated at cost, which approximates market.

(h) Accounts Receivable

Accounts receivable are shown net of allowance for uncollectibles. All amounts due from other governments are deemed fully collectible.

CITY OF CANANDAIGUA, NEW YORK  
Notes to Financial Statements, Continued

(1) Summary of Certain Significant Accounting Policies, Continued

(i) Due To/From Other Funds

The amounts reported on the governmental funds balance sheet for due to and due from other funds represents amounts due between different fund types (general and non-major funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in these notes.

(j) Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both governmental-wide and fund financial statements.

(k) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. streets) are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost equal to or greater than \$10,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives is not capitalized. Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	40 Years
Water and Sewer System/Infrastructure	50 Years
Equipment	4-20 Years

When capital assets are retired, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period in the government-wide statements. Amortization is reflected in income for the period in the government-wide statements. Amortization of capital leases is computed using the straight-line method over the leases term or the estimated useful lives of the assets, whichever is shorter. Maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized.

GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, underground pipe (other than related utilities), etc. These infrastructure assets are likely to be the largest asset class of the City. The reporting of the City's retroactive infrastructure is concurrent with the implementation of the general provisions of GASB Statement No. 34.

CITY OF CANANDAIGUA, NEW YORK  
Notes to Financial Statements, Continued

(1) Summary of Certain Significant Accounting Policies, Continued

(l) Compensated Absences

City employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave and unused compensatory absences at various rates subject to certain maximum limitations.

Compensated absences for governmental fund type employees are reported as a liability and expenditure in the government-wide financial statements, and are dependent on many factors; therefore, the timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payment of compensated absences when such payments become due.

Compensated absences are accrued when incurred in the proprietary funds and are recognized when paid in the governmental funds.

(m) Postemployment Benefits

In addition to providing pension benefits, the City provides certain health care benefits to retired employees. Retired employees with at least 15 years of service are allowed to participate in the City's group medical insurance plan until they reach the age of 65. Retired employees reaching age 65 may continue participation in the plan but must reimburse the City for the premium. The City recognizes the cost of providing these benefits by expensing the annual insurance premiums which totaled \$394,745 for 33 retirees and/or their surviving spouses for the year ended December 31, 2013.

(n) Deferred Inflows

The City reports deferred inflows in its basic financial statements. Deferred inflows arises when revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred inflows also arises when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the City has legal claim to resources, the deferred inflows are removed and revenue is recognized.

(o) Long-Term Obligations

Long-term obligations represent the City's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the statement of net position.

(p) Equity Classifications

Government-Wide Statements

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets (net of related debt), restricted and unrestricted.

CITY OF CANANDAIGUA, NEW YORK  
Notes to Financial Statements, Continued

(1) Summary of Certain Significant Accounting Policies, Continued

(p) Equity Classifications, Continued

Government-Wide Statements, Continued

Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents net position of the City not restricted for any project or purpose.

Funds Statements

As of December 31, 2013, fund balances of the governmental funds are classified as follows:

Non-Spendable - includes amounts that cannot be spent either because they are in non-spendable form or legally or contractually required to be maintained intact.

\$330,471 - General Fund - Prepaid items

\$2,861 - Special Revenue Fund - Prepaid items

Restricted - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

\$186,126 - General Fund - Insurance Reserve (GML §6-n) can be used for any loss, claim, action or judgment for which the municipal corporation is authorized or required to purchase or maintain.

\$820,369 - General Fund - Capital Reserve Fund (GML §6-c) can be used for the construction, reconstruction or acquisition of general types of the capital improvements or the acquisition of general types of items or types of equipment.

\$2,199 - General Fund - Miscellaneous Reserves represent amounts held in reserve by contributors for a specific purpose.

\$166,285 - Capital Fund - Encumbrance for Restricted Capital Projects. These projects are composed of \$137,205 for Transportation, \$20,760 for Public Safety and \$8,320 for Improvements.

CITY OF CANANDAIGUA, NEW YORK  
Notes to Financial Statements, Continued

(1) Summary of Certain Significant Accounting Policies, Continued

(p) Equity Classifications, Continued

Funds Statements, Continued

\$404,138 - Community Development Block Grant Funds that can be used according to rules and regulations established by the Housing and Urban Development Agency for purposes of economic development and housing rehabilitation.

\$177,952 - Debt Service Fund (GML §6-1) is a mandatory fund used for the purpose of retiring the outstanding obligations for capital improvements that were financed by such obligations. Any remaining fund balance from the capital project is transferred to the Debt Service Fund.

Assigned - includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

\$35,503 - General Fund - Encumbrances

\$37,548 - General Fund - Kershaw Reserve Fund established for improvements to Kershaw Park. This reserve is funded by revenues from events and activities held in the park.

\$4,761 - General Fund - Appropriated Fund Balance assigned by City Council to reduce the tax levy for the ensuing fiscal year budget

\$51,276 - Special Revenue Fund - Watershed Program

\$24,576 - Special Revenue Fund - Parks and Open Spaces

\$306,781 - Special Revenue Fund - Technology

\$37,017 - Special Revenue Fund - Cemetery

\$22,523 - Special Revenue Fund - Encumbrances

Unassigned - Includes all other General Fund fund balances that do not meet the definition of the above four classifications and are deemed to be available for general use by the City.

(\$166,285) - Capital Projects Fund budget deficit which will be eliminated with funds from capital reserve as encumbrances are satisfied

\$3,429,523 - General Fund

The City's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances

CITY OF CANANDAIGUA, NEW YORK  
Notes to Financial Statements, Continued

(1) Summary of Certain Significant Accounting Policies, Continued

(q) Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in all City funds. Outstanding encumbrances for construction and other governmental fund capital purchases as of December 31, 2013 were \$166,285 included in restricted fund balance. In addition there are encumbrances of \$33,574 for the general fund and \$306,916 for non-major special revenue funds that are included in assigned fund balance.

(r) Future Impacts of Accounting Pronouncements

GASB Statement No. 67 - "Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25" replaces the requirements of Statements No. 25 - "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans," and No. 50 - "Pension Disclosures," as they relate to pension plans that are administered through trusts or equivalent arrangements. The requirements of the Statement are effective for financial statements for fiscal years beginning after June 15, 2013. This statement is not expected to have a material effect on the financial statements of the City.

GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" is intended to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of the statement are effective for fiscal years beginning after June 15, 2014. Management has not yet determined the effect that this statement will have on the future financial statements of the City.

GASB Statement No. 69 - "Government Combinations and Disposals of Government Operations" establishes accounting and financial reporting standards for government mergers, acquisitions, and disposals. The Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effect of those transactions. The requirements of this Statement are effective for periods beginning after December 15, 2013. This statement is not expected to have a material effect on the financial statements of the City.

CITY OF CANANDAIGUA, NEW YORK  
Notes to Financial Statements, Continued

(1) Summary of Certain Significant Accounting Policies, Continued

(r) Future Impacts of Accounting Pronouncements, Continued

GASB Statement No. 70 - "Accounting and Financial Reporting for Nonexchange Financial Guarantees" improves the accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. The requirements of this statement are effective for periods beginning after June 15, 2013, which is the fiscal year beginning December 31, 2014 for the Corporation. This statement is not expected to have a material effect on the financial statements of the City.

GASB Statement No. 71 - "Pension Transition for Contributions Made Subsequent to the Measurement Date" addresses an issue regarding application of the transition provisions of GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions." This Statement amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The requirements of this statement are effective for the same period that the entity implements GASB Statement No. 68. Management is in the process of evaluating the potential impact due to the implementation of this statement on the financial statements of the City.

(s) Subsequent Events

The City has evaluated events after December 31, 2013, and through May 30, 2014, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

(2) Cash and Cash Equivalents

Cash equivalents include certificates of deposit with original maturities of three months or less and highly liquid investments in money market accounts.

In conformance with State law, the City Council biennially designates official depositories for the City. The City Clerk/Treasurer has authority to choose the types of deposits and investments made by the City within the constraints of applicable State laws. The City's practice is to limit deposits and investments to insured and/or collateralized demand deposit accounts, time deposit accounts and certificates of deposit. The City does not enter into repurchase agreements and/or reverse repurchase agreements.



CITY OF CANANDAIGUA, NEW YORK  
Notes to Financial Statements, Continued

(2) Cash and Cash Equivalents, Continued

The City pools individual fund cash balances in order to secure more favorable rates of return. Interest earnings are allocated to funds based on the respective funds' contributions to the pool.

Protection of City deposits is provided by federal deposit insurance, as well as qualified pledged securities by the institutions holding the assets. Collateralization is required (by State law) at the rate of 100% of uninsured deposits and is composed of obligations of the United States and its agencies and obligations of the State of New York, its municipalities and school districts. The detail of cash and cash equivalents at December 31, 2013 consists of:

Petty cash	\$ 550
Deposits - checking and savings accounts	<u>9,936,437</u>
Total	\$ <u>9,936,987</u>

Deposits at December 31, 2013 were entirely covered by federal depository insurance or by eligible securities held in the City's name by a third party custodial bank or the trading partner's trust department. Bank balances held are as follows at December 31, 2013:

FDIC Insurance	\$ 760,615
Collateral held by third party custodial bank	1,142,498
Collateral held by trading partner's trust department	<u>8,672,890</u>
Total	\$ <u>10,576,003</u>

Cash and equivalents are reported as follows in the statement of net position:

Primary Government	\$ 9,893,272
Fiduciary Funds	<u>43,715</u>
Total	\$ <u>9,936,987</u>

CITY OF CANANDAIGUA, NEW YORK  
Notes to Financial Statements, Continued

(3) Receivables

Receivables at December 31, 2013 consisted of the following, which are net of an allowance for uncollectible amounts:

	<u>General</u>	<u>Capital Projects</u>	<u>Community Development</u>	<u>Nonmajor Funds</u>	<u>Agency Funds</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Current:								
Taxes	\$ 126,836	-	-	-	-	-	-	126,836
Accounts	226,427	-	-	-	818	76,952	740	304,937
Franchise fees	78,933	-	-	-	-	-	-	78,933
Rents receivable	-	-	-	-	-	325,637	770,103	1,095,740
Refuse Fee receivable	9,964	-	-	-	-	-	-	9,964
Parking tickets	64,480	-	-	-	-	-	-	64,480
Rehabilitation loans	-	-	264,823	-	-	-	-	264,823
Other governments	552,896	-	-	-	-	162	-	553,058
State and Federal aid	204,942	19,234	-	-	-	225,216	-	449,392
Less allowance for uncollectibles	(33,061)	-	-	-	-	(29,237)	-	(62,298)
Total current receivables, net	1,231,417	19,234	264,823	-	818	598,730	770,843	2,885,865
Noncurrent:								
Steamboat Landing project, Section 108 HUD Loan	-	-	1,075,000	-	-	-	-	1,075,000
Total receivables	\$1,231,417	19,234	1,339,823	-	818	598,730	770,843	3,960,865

CITY OF CANANDAIGUA, NEW YORK

Notes to Financial Statements, Continued

(4) Capital Assets

Capital assets activity for the year ended December 31, 2013 was as follows:

	Balance at January 1, 2013	Increases	Decreases	Balance at December 31, 2013
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,224,298	271	-	4,224,569
Construction in process	88,909	72,672	(40,225)	121,356
Total capital assets not being depreciated	4,313,207	72,943	(40,225)	4,345,925
Capital assets, being depreciated:				
Land improvements	8,544,259	1,720,335	-	10,264,594
Infrastructure	55,897,127	-	-	55,897,127
Buildings and improvements	9,045,255	20,376	-	9,065,631
Machinery and equipment	5,708,441	1,114,966	(308,976)	6,514,431
Total capital assets being depreciated	79,195,082	2,855,677	(308,976)	81,741,783

(Continued)

CITY OF CANANDAIGUA, NEW YORK

Notes to Financial Statements, Continued

(4) Capital Assets, Continued

	Balance at January 1, 2013	Increases	Decreases	Balance at December 31, 2013
Less accumulated depreciation for:				
Land improvements	\$ 3,133,987	240,201	-	3,374,188
Infrastructure	32,220,531	1,195,246	689,356	34,105,133
Buildings and improvements	5,087,992	240,498	-	5,328,490
Machinery and equipment	4,055,173	471,181	(998,332)	3,528,022
Total accumulated depreciation	44,497,683	2,147,126	(308,976)	46,335,833
Total capital assets being depreciated, net	34,697,399	708,551	-	35,405,950
Total	<u>\$39,010,606</u>	<u>781,494</u>	<u>(40,225)</u>	<u>39,751,875</u>

Depreciation expense for the year was charged to functions/programs as follows:

Governmental activities:

General governmental support	\$ 118,672
Public safety	290,206
Transportation	1,398,222
Economic Development	1,754
Culture and recreation	252,164
Home and community	86,107
	<u>\$2,147,125</u>

CITY OF CANANDAIGUA, NEW YORK

Notes to Financial Statements, Continued

(4) Capital Assets, Continued

	Balance at January 1, 2013	Increases	Decreases	Balance at December 31, 2013
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 164,072	-	-	164,072
Construction in process	6,762,181	1,076,714	(7,830,582)	8,313
Total capital assets not being depreciated	6,926,253	1,076,714	(7,830,582)	172,385
Capital assets, being depreciated:				
Land improvements	28,694	-	-	28,694
Infrastructure	20,025,670	-	-	20,025,670
Buildings and improvements	28,470,586	7,517,087	-	35,987,673
Machinery and equipment	3,680,604	615,092	(244,410)	4,051,286
Total capital assets being depreciated	52,205,554	8,132,179	(244,410)	60,093,323
Less accumulated depreciation for:				
Land improvements	20,564	2,869	-	23,433
Infrastructure	15,059,501	455,188	-	15,514,689
Buildings and improvements	16,751,251	879,680	-	17,630,931
Machinery and equipment	2,867,942	152,924	(244,410)	2,776,456
Total accumulated depreciation	34,699,258	1,490,661	(244,410)	35,945,509
Total capital assets being depreciated, net	17,506,296	6,641,518	-	24,147,814
Total	\$24,432,549	7,718,232	(7,830,582)	24,320,199

Depreciation expense amounting to \$1,490,661 was charged to the appropriate functions/programs.

CITY OF CANANDAIGUA, NEW YORK  
Notes to Financial Statements, Continued

(5) Retirement Plans

(a) Plan Description

The City participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS) (collectively the Systems). These are cost sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute, and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issued a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

(b) Funding Policy

The Systems are noncontributory except for the employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% of their salary for the first ten years of membership and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) who generally contribute 3% of their salary for the entire length of service and before April 1, 2012 are required to contribute 3.5% throughout their active membership. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, dependent upon their salary, for their entire working career. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

The rates billed by the Comptroller for ERS ranged from 9.9% to 25.2% for January through March 2013 and 11.3% to 28.5% for April through December 2013. The contribution rates for PFRS ranged from 14.6% to 25.1% for January through March 2013 and 16.0% to 28.4% for April through December 2013.

The required contributions for the current year and two preceding years were as follows:

	<u>ERS</u>	<u>PFRS</u>
2013	\$ 665,155	665,320
2012	619,503	571,067
2011	507,322	384,898

CITY OF CANANDAIGUA, NEW YORK  
Notes to Financial Statements, Continued

(6) Other Postemployment Benefits

In addition to providing pension benefits, the City provides certain health insurance benefits to retired employees and their families. Substantially all of the City's employees may become eligible for these benefits if they reach normal retirement age while working for the City and have at least 15 years of service with the City. The City's policy has been to account for and fund these benefits on a pay-as-you-go basis.

The Government Accounting Standard Board has issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions" which requires the accrual of these liabilities. The City has implemented this statement as of January 1, 2009. The cost to the City of providing health insurance benefits to retirees amounted to \$394,745 during the year ended December 31, 2013.

(a) Plan Description

The City administers the medical insurance plans (the Plan) as a single-employer defined benefit Other Postemployment Benefit (OPEB) plan. The Plan provides for continuation of medical and dental insurance benefits for certain retirees and their spouses and can be amended by action of the City subject to the applicable collective bargaining and employment agreements. The City pays the cost of postemployment healthcare benefits for retirees, their spouses, and their dependents until Medicare eligible or age 65, whichever is sooner, after which the retiree is required to contribute the entire cost of the insurance. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

(b) Funding Policy

The obligation of the plan members, employers and other entities, are established by action of the City pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members varies depending on the applicable agreement. The employer currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the City.

(c) Actuarial Methods and Assumptions

The valuation of postretirement healthcare benefits involves estimates and assumptions about the probability of events occurring far into the future. Examples are assumptions about future employment, mortality, and the health care cost trend. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of the valuation and on the historical pattern of cost sharing between the City and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective and calculations.

CITY OF CANANDAIGUA, NEW YORK  
Notes to Financial Statements, Continued

(6) Other Postemployment Benefits, Continued

(c) Actuarial Methods and Assumptions, Continued

For the valuation dated September 1, 2013, the entry age normal method, over a level percent of pay was used. Since the City does not currently segregate funding for these benefits, the investment rate of 4%, is the discount rate used, based on the expected return on the City's general assets. The rates of turnover are based on the 2003 Society of Actuaries small plan withdrawal, scaled at 50%. The rates of retirement for police, fire and DPW/MATCCS range from 5% to 100% of current age. It was assumed that 100% of future retirees and beneficiaries eligible will elect to receive postemployment healthcare benefits. Current retirees were assumed to continue participation in their current plans.

(d) Annual OPEB cost at December 31, 2013

	<u>City-wide</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Normal cost with Interest	\$ 125,983	112,953	13,030
Amortization of unamortized actuarial liability (UAL) with interest	<u>241,677</u>	<u>208,983</u>	<u>32,694</u>
Annual required contribution (ARC)	367,660	321,936	45,724
Interest on OPEB obligation	8,593	6,937	1,656
Adjustment to ARC	<u>(8,429)</u>	<u>(6,802)</u>	<u>(1,627)</u>
OPEB expense	\$ <u>367,824</u>	<u>322,071</u>	<u>45,753</u>

(e) Reconciliation of Net OPEB obligation at  
December 31, 2013

Net OPEB obligation at the beginning of the year	214,824	173,413	41,411
OPEB expense	367,824	322,071	45,753
Net OPEB contributions made during the fiscal year	<u>(372,908)</u>	<u>(325,918)</u>	<u>(46,990)</u>
Net OPEB obligation at the end of the year	\$ <u>209,740</u>	<u>169,566</u>	<u>40,174</u>
Percentage of expense contributed	<u>101.4%</u>	<u>101.2%</u>	<u>102.7%</u>

(f) Number of participants as of December 31, 2013

Active employees	93	73	20
Retired employees	<u>27</u>	<u>22</u>	<u>5</u>
Total employees	<u>120</u>	<u>95</u>	<u>25</u>



# CITY OF CANANDAIGUA, NEW YORK

## Notes to Financial Statements, Continued

### (7) Long Term Debt

#### (a) Serial Bonds

The City borrows money in order to acquire land, high cost equipment or to construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit obligations of the City. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

#### (b) Other Long-Term Obligations

In addition to long-term bonded debt, the City also has compensated absences and other postemployment benefits.

#### (c) Summary of Debt

The following is a summary of obligations outstanding at December 31, 2013:

	Balance at January 1, 2013	Additions	Deletions	Balance at December 31, 2013	Classified As	
					Current	Non-current
<u>Governmental Funds:</u>						
Serial bonds	\$ 7,201,600	-	1,146,995	6,054,605	1,149,305	4,905,300
HUD 108 - Serial bonds	1,210,000	-	135,000	1,075,000	145,000	930,000
Compensated absences	652,390	-	53,045	599,345	149,836	449,509
Other postemployment benefits	173,413	-	3,847	169,566	-	169,566
Total governmental funds	\$ 9,237,403	-	1,338,887	7,898,516	1,444,141	6,454,375

(Continued)

CITY OF CANANDAIGUA, NEW YORK  
Notes to Financial Statements, Continued

(7) Long Term Debt, Continued

(c) Summary of Debt, Continued

	Balance at January 1, 2013	Additions	Deletions	Balance at December 31, 2013	Classified As	
					Current	Non-current
<u>Enterprise funds:</u>						
Water:						
Serial bonds	\$ 5,691,300	-	291,900	5,399,400	287,000	5,112,400
Compensated absences	89,557	2,831	-	92,388	23,097	59,291
Other postemployment benefits	41,411	-	1,237	40,174	-	40,174
Sewer:						
Serial bonds	8,212,600	-	471,605	7,740,995	478,695	7,262,300
Compensated absences	62,307	3,040	-	65,347	16,337	49,010
Total enterprise funds	\$14,097,175	5,871	764,742	13,338,304	805,129	12,523,175

(d) Maturity Schedule

The following is a statement of bonds with corresponding maturity schedules:

<u>Purpose</u>	<u>Issue date</u>	<u>Rate of Interest</u>	<u>Amount outstanding at December 31, 2013</u>	<u>Final Maturity</u>
General:				
Serial bonds	4/99	4.375% - 4.40%	\$ 176,505	04/14
Serial bonds	2/03	2.00% - 4.125%	1,050,000	03/16
Serial bonds	7/03	2.50% - 4.00%	479,000	12/21
Serial bonds	12/06	4.00% - 4.10%	785,000	12/26
Serial bonds	11/07	4.00% - 4.125%	1,841,600	12/27
Serial bonds	11/08	3.50% - 4.30%	156,500	12/18

(Continued)

CITY OF CANANDAIGUA, NEW YORK

Notes to Financial Statements, Continued

(7) Long Term Debt, Continued

(d) Maturity Schedule, Continued

<u>Purpose</u>	<u>Issue date</u>	<u>Rate of Interest</u>	<u>Amount outstanding at December 31, 2013</u>	<u>Final Maturity</u>
General, continued:				
Serial bonds	8/10	2.00% - 3.4%	\$ 196,000	12/19
Serial bonds	12/12	1.25% - 2.125%	1,370,000	12/26
Total general			<u>6,054,605</u>	
Water:				
Serial bonds	7/03	2.50% - 4.00%	71,000	12/21
Serial bonds	11/07	4.00% - 4.625%	2,559,400	12/46
Serial bonds	4/09	3.50% - 4.50%	2,220,000	12/28
Serial bonds	8/10	2.00% - 3.4%	229,000	12/19
Serial bonds	12/12	1.25% - 2.50%	320,000	12/31
Total water			<u>5,399,400</u>	
Sewer:				
Serial bonds	4/99	4.375% - 4.40%	28,495	4/14
NYS Environmental Facilities Corporation bonds	7/03	0.721% - 4.50%	1,005,000	1/23
Serial bonds	12/06	4.00% - 4.10%	370,000	12/26
Serial bonds	11/07	4.00% - 4.125%	349,000	12/27
Serial bonds	11/08	3.50% - 4.30%	3,500	12/19
Serial bonds	12/12	1.25% - 2.50%	5,985,000	12/31
Total sewer			<u>7,740,995</u>	
Community Development - HUD 108 - Serial bond	8/01	1.32% - 2.05%	<u>1,075,000</u>	8/19
Total			<u>\$ 20,270,000</u>	

CITY OF CANANDAIGUA, NEW YORK  
Notes to Financial Statements, Continued

(7) Long Term Debt, Continued

(e) Future Debt Service

The following table summarizes the City's future debt service requirements as of December 31, 2013:

<u>Year</u>	<u>Bonds</u>	<u>Interest</u>
2014	\$ 2,060,000	601,272
2015	1,870,000	544,842
2016	1,915,000	490,174
2017	1,405,000	441,110
2018	1,435,000	403,934
2019 - 23	5,490,000	1,439,148
2024 - 28	3,565,000	766,977
2029 - 46	<u>2,530,000</u>	<u>638,750</u>
Total	\$ <u>20,270,000</u>	<u>5,326,207</u>

(f) Defeasement

In prior years, the City defeased general obligations by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. Outstanding general obligation bonds of \$1,035,000 are considered to be defeased.

(8) Fund Balance Restrictions

Restrictions of fund balances of governmental fund types are created to either: (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriate for future expenditures. Specific restrictions of fund balance accounts are summarized below.

<u>Fund</u>	<u>Balance</u>
General fund:	
Reserved for insurance	\$ 186,126
Capital reserve	820,369
Miscellaneous reserve	<u>2,199</u>
Total general fund	\$ <u>1,008,694</u>
Capital projects fund - reserved for encumbrances	\$ <u>166,285</u>
Non-major governmental funds- reserved for encumbrances	\$ <u>306,916</u>

CITY OF CANANDAIGUA, NEW YORK  
Notes to Financial Statements, Continued

(9) Net Position - Restricted

The following table shows the net position restricted for other purposes as shown on the statement of net position:

<u>Restricted Net Position</u>	<u>Restricted by</u>	<u>Amount</u>
Capital reserves - enterprise funds	Local law	\$ 2,860,626
Capital reserves - governmental funds	Local law	820,369
Debt service reserves - enterprise funds	State law	147,715
Debt service reserves – governmental funds	State Law	177,952
Special Districts:		
Community development	Local law	404,138
Parks and recreation	Local law	24,576
Technology	Local law	329,439
Watershed program	Local law	54,002
Cemetery		<u>37,017</u>
		<u>849,172</u>
Total restricted net position		\$ <u>4,855,834</u>

(10) Labor Relations

City employees are represented by four bargaining units with the balance governed by City personnel policies and practices. All of the units have contracts that expire December 31, 2013.

(11) Interfund Transfers

Cash transfers from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Operating transfers in, and operating transfers out, for the year ended December 31, 2013 for the primary government were as follows:

	<u>Operating transfers in</u>	<u>Operating transfers out</u>
General fund	\$ 290,000	1,915,372
Capital projects fund	2,100,372	-
Water fund	-	290,000
Debt service fund	-	185,000
Expendable trust cemetery fund to cemetery fund	<u>36,986</u>	<u>36,986</u>
Total	\$ <u>2,427,358</u>	<u>2,427,358</u>

CITY OF CANANDAIGUA, NEW YORK  
Notes to Financial Statements, Continued

(12) Insurance Reserve

The City is exposed to various risks of loss related to torts; theft or damage to, or destruction of assets, and natural disasters. Under the City's self-insurance plan, self-insurance coverage is provided for deductibles and for uninsured claims. The City purchases commercial insurance for claims in excess of the self-insurance coverage and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past four years.

There were no estimated accrued claims for the years ended December 31, 2013 and 2012 as defined by GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. The claims and expenditures charged to this fund during 2013 totaled \$5,145. However, as referred to in note 9, the City has established and maintains an insurance reserve having a balance of \$186,126 at December 31, 2013.

(13) Workers' Compensation Plan

The City is a member of the Ontario County Workers' Compensation Self-Insurance Plan (the Plan). Current membership of the Plan includes various municipal entities. The Plan is administered by Ontario County (the County) and utilizes a third party administrator who is responsible for processing claims, estimating liabilities and providing actuarial services.

The Plan states that participants are charged an annual assessment on the basis of their five-year experience (60%), exposure (20%) and assessed value (20%). The County does not have excess insurance coverage above the funding provided by this self-insurance program.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. During the year ended December 31, 2013, the City incurred premiums or contribution expenditures totaling \$175,019.

CITY OF CANANDAIGUA, NEW YORK  
Notes to Financial Statements, Continued

(14) Contingencies

The City is subject to lawsuits in the ordinary conduct of its affairs. There are four cases pending relating to reduction in tax assessments. Also, Canandaigua Fire Fighters Association filed an improper practice charge with the Public Employment Relations Board regarding various actions involving the Fire Department without negotiating with the Association. An arbitrator has issued a final and binding decision that is favorable to the City and although the issue of possible damages is still open, the City does not believe that any damages, if any, are likely to have a material adverse effect on the financial condition of the City.

The City participates in a number of Federal and New York State grant and assistance programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

CITY OF CANANDAIGUA, NEW YORK  
 Required Supplementary Information  
 Scheduling of Funding Progress for Other Postemployment Benefits (OPEB)  
 December 31, 2013

The schedule of funding progress presents the results of OPEB valuations for the past three years. All determined information has been calculated in accordance with the actuarial assumptions and methods reflected in the actuarial valuations as of the indicated actuarial valuation date.

For Year <u>Ended</u>	Valuation <u>Date</u>	Actual Value of <u>Assets</u>	Actuarial Accrued Liability ( <u>AAL</u> )	Unfunded AAL ( <u>UAAL</u> )	Funded <u>Ratio</u>	Covered <u>Payroll</u>	Ratio UAAL to Budget Covered <u>Payroll</u>
12/31/13	09/01/2012	\$ -	\$5,692,006	\$5,692,006	0.0%	\$5,050,414	112.70%
12/31/12	09/01/2012	\$ -	\$5,692,006	\$5,692,006	0.0%	\$5,050,414	112.70%
12/31/11	06/01/2009	\$ -	\$6,440,875	\$6,440,875	0.0%	\$5,470,667	117.73%



CITY OF CANANDAIGUA, NEW YORK  
Combining Balance Sheet -  
Nonmajor Governmental Funds  
December 31, 2013

	Special Revenue Funds					
	Debt Service	Watershed Program	Parks and Open Spaces	Technology	Cemetery	Total
Assets:						
Cash and cash equivalents	\$177,952	54,732	24,576	331,971	37,017	626,248
Prepaid items	-	2,726	-	135	-	2,861
Total assets	<u>\$177,952</u>	<u>57,458</u>	<u>24,576</u>	<u>332,106</u>	<u>37,017</u>	<u>629,109</u>
Liabilities and fund balance:						
Liabilities:						
Accounts payables and other current liabilities	-	1,879	-	2,667	-	4,546
Accrued liabilities	-	1,577	-	-	-	1,577
Total liabilities	-	3,456	-	2,667	-	6,123
Fund balances:						
Nonspendable	-	2,726	-	135		2,861
Restricted	177,952	-	-	-	-	177,952
Assigned	-	51,276	24,576	329,304	37,017	442,173
Total fund balances	<u>177,952</u>	<u>54,002</u>	<u>24,576</u>	<u>329,439</u>	<u>37,017</u>	<u>622,986</u>
Total liabilities and fund balances	<u>\$177,952</u>	<u>57,458</u>	<u>24,576</u>	<u>332,106</u>	<u>37,017</u>	<u>629,109</u>

CITY OF CANANDAIGUA, NEW YORK  
Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balance - Nonmajor Governmental Funds  
Year ended December 31, 2013

	<u>Special Revenue Funds</u>					
			Parks and			
	<u>Debt</u>	<u>Watershed</u>	<u>Open</u>	<u>Technology</u>	<u>Cemetery</u>	<u>Total</u>
	<u>Service</u>	<u>Program</u>	<u>Spaces</u>			
Revenues:						
Departmental income	\$ -	-	4,000	-	-	4,000
Intergovernmental changes	-	90,884	-	-	-	90,884
Use of money and property	-	163	44	179,251	31	179,489
Miscellaneous	-	(3,273)	-	-	-	(3,273)
Total revenues	-	87,774	4,044	179,251	31	271,100
Expenditures:						
General governmental support	-	-	-	275,640	-	275,640
Home and community services	-	98,724	-	-	-	98,724
Employee benefits	-	27,211	-	532	-	27,743
Total expenditures	-	125,935	-	276,172	-	402,107
Excess of revenues over expenditures	-	(38,161)	4,044	(96,921)	31	(131,007)
Other financing sources (uses) -						
Transfers in	-	-	-	-	36,986	36,986
Transfers out	(185,000)	-	-	-	-	(185,000)
Net other financing sources (uses)	(185,000)	-	-	-	36,986	(148,014)
Net change in fund balances	(185,000)	(38,161)	4,044	(96,921)	37,017	(279,021)
Fund balances at beginning of year	362,952	92,163	20,532	426,360	-	902,007
Fund balances at end of year	<u>\$177,952</u>	<u>54,002</u>	<u>24,576</u>	<u>329,439</u>	<u>37,017</u>	<u>622,986</u>

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Members  
of the City Council  
City of Canandaigua, New York:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Canandaigua, New York (the City) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Toski & Co., CPAs, P.C.

Williamsville, New York  
May 30, 2014